

SCHEDULE 10

PERFORMANCE STANDARDS

MASTER SERVICES AGREEMENT

REGARDING

DIVISION OF FAMILY RESOURCES MODERNIZATION PROJECT

By and Between

THE STATE OF INDIANA,

ACTING ON BEHALF OF

THE FAMILY AND SOCIAL SERVICES ADMINISTRATION,

And

INTERNATIONAL BUSINESS MACHINES CORPORATION

SCHEDULE 10
PERFORMANCE STANDARDS

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1. Overview

There are four (4) categories of Performance Standards under the Master Services Agreement, all of which are associated with specific monetary consequences. These categories are:

1. Service Levels: the performance metrics, and associated penalties and incentives, that focus on Vendor's processing accuracy in administering the Programs and which impose more stringent measurements of the error rates than those currently applied.
2. Key Performance Indicators ("KPI" or "KPIs"): performance metrics, and associated penalties, designed to provide incentive to Vendor to focus on other key metrics related to the Service components that are important to the State and its Clients.
3. Critical Transition Milestones: penalties imposed if Vendor does not achieve the Critical Transition Milestones identified by the State that are critical to the successful transition of the Services.
4. Federal Penalties: penalties imposed by the Federal government, as set forth in Section 15.2.6 of the Master Services Agreement.

2. Transition Key Performance Indicators

- a. Vendor and the State have designed the Transition and As Is Procedures Manual to ensure that the Parties continue to support the Clients during the Transition without degradation in the services received by the Clients.
- b. The Parties have established agreed upon Transition Key Performance Indicators to reflect that there will not be degradation of support to the Clients during Transition when the Vendor is performing the Services under the As Is environment ("TKPIs"), and that Vendor and the State will maintain the same or better support to our Clients as that provided by the State prior to the Service Commencement Date.
- c. Monitoring and reporting of the TKPIs will (i) be conducted by the State, and (ii) begin on the Effective Date and continue until the Steady State Date. TKPI reports and supporting data will be provided by the State to the Vendor for review and analysis. The TKPIs will apply to the Vendor's performance of the As Is Services (not the transformed Services) during the period between the Service Commencement Date and the Steady State Date.
- d. Data for the reporting of TKPIs is available from existing tools (such as the System of Record) or collected by the State and Vendor during the normal course of providing the Services and the Retained Activities during Transition. During the sixty (60) days following the Effective Date, the State will work with the Vendor to establish an appropriate methodology for measuring and reporting on the TKPIs from the System of Record.
- e. Following each month during Transition, the Parties will review the State's report, analyze the underlying data, and discuss the likely explanation for any variances in the volume or timeliness of Applications completed or processed during such month. If the State believes in its discretion that the reason for any material deterioration in volume or timeliness is primarily because of Vendor's failure to perform the Services, Vendor shall provide the State with a Liquidated Damage of two thousand dollars (\$2,000) per TKPI per month.
- f. The TKPIs that the Parties will track, analyze for trends, and report on during Transition are set forth below:
 1. TANF Timeliness: the percent of Applications completed within the then-current Federal timeframes.
 2. Food Stamps Timeliness: the percent of Applications completed within the then-current Federal timeframes.

3. Medicaid Timeliness: the percent of Applications completed within the then-current Federal timeframes.
4. Food Stamps Application Volume: the percent of variance of Food Stamp Applications processed (per office and in the aggregate) as compared to the same period the previous year.
5. TANF Application Volume: the percent of variance of the TANF Applications processed (per office and in the aggregate) as compared to the same period the previous year.
6. Medicaid Application Volume: the percent of the Medicaid Applications processed (per office and in the aggregate) as compared to the same period the previous year.

3. Service Levels

3.1 Overview

- a. This Section 3 describes the Service Levels that guide the priorities of Vendor in the delivery of Services under this Agreement.
- b. Vendor shall report on its performance against the Service Levels for each month of the Term commencing as of the Steady State Date. In addition, Vendor will provide preliminary reports on its performance against the Service Levels by reporting on Vendor's performance within each Region for each month following the Region Completion Date, as set forth in the Transition Plan.
- c. Service Level Adjustments will be in effect for each month of the Term as of the Steady State Date (the "**SLA Commencement Date**"). As set forth in Section 4.1.2 (4) of the Master Services Agreement, Service Level Adjustments shall be assessed following the end of each SLA Contract Year; provided, however, that the 1st SLA Contract Year shall commence on the SLA Commencement Date and shall end on June 30, 2009. Each subsequent SLA Contract Year (other than the final SLA Contract Year) (i) shall be the twelve (12) month period following the prior SLA Contract Year and (ii) as of and following the 2nd SLA Contract Year, shall be concurrent with the Contract Year and the State's Fiscal Year. The final SLA Contract Year shall be a partial year commencing on July 1, 2017 and ending at midnight on the day preceding the tenth (10th) anniversary of the Effective Date.
- d. Service Level Adjustments shall be calculated based on the Fixed Fees, minus the Services Investment Fees, for the applicable SLA Contract Year (the "**SLA Fixed Fees**"). The Services Investment Fees are as follows:

Table 3.1 Services Investment Fees			
1 st SLA Contract Year	2 nd SLA Contract Year	3 rd SLA Contract Year	Each SLA Contract Year After the 3 rd SLA Contract Year
\$21,591,350	\$22,421,598	\$7,800,000	\$0

- e. The amount of such Service Level Adjustment shall then be applied to the applicable Fixed Fees.

3.2 Procedure Variance Rate Service Levels

- a. The Parties will review the Case Sample in the applicable measurement period. Unless otherwise agreed, (i) 1,200 Case Actions per year shall be deemed to be statistically significant number for each of the Programs, (ii) there will be a different independent Case Sample for each Procedure Variance Rate Service Level, (iii) the Case Actions will be analyzed based upon the electronic Case Records, and (iv) any Case Action which was performed solely by a State employee shall not be included in the Case Sample.
- b. Following the end of each applicable month, Vendor will select and review the Case Sample, and record whether each Case Action was Incorrect. Vendor shall provide the State with a report of its conclusions, together with supporting data, within an agreed upon time period following the end

of each month, which shall be no later than by the 45th day following such month, so that the State may validate Vendor's report and supporting data. For example, Vendor shall provide the State with a report of Vendor's performance for the month of January by no later than March 15th. Once validated by the State, such report shall reflect Vendor performance against the Procedure Variance Rate Service Level for the applicable month.

3.3 Work Participation Service Levels

- a. The Vendor's All Family Work Participation Rate Service Level shall be calculated in accordance with the federal TANF Interim Final Rules, 45 CFR 261.
- b. Vendor's performance of the All Family Work Participation Rate Service Level will be based on the actual performance each month, as defined by 45 CFR 261. Monthly results will then be averaged to achieve the rates for the SLA Contract Year.

3.4 Service Level Definitions and Metrics

- a. The Service Levels under this Agreement shall be as set forth in this Section. This Schedule will be amended as necessary to reflect additional or substituted Service Levels as provided in Section 4.1.2(10) of the Master Services Agreement.
 1. **Medicaid Long Term Care Procedure Variance Rate** - This variance rate is calculated as a fraction (expressed for reporting and Service Level purposes as a percentage) in which the numerator is the number of cases which are Incorrect in the Case Sample and the denominator is the total number of cases in the Case Sample.
 2. **Other Medicaid Procedure Variance Rate** - This measure evaluates errors from Medicaid cases excluding Medicaid Long Term Care. This variance rate is calculated as a fraction (expressed for reporting and Service Level purposes as a percentage) in which the numerator is the number of cases which are Incorrect in the Case Sample and the denominator is the total number of cases in the Case Sample.
 3. **TANF Procedure Variance Rate** - This variance rate is calculated as a fraction (expressed for reporting and Service Level purposes as a percentage) in which the numerator is the number of cases which are Incorrect in the Case Sample and the denominator is the total number of cases in the Case Sample.
 4. **Food Stamp Procedure Variance Rate** - This variance rate is calculated as a fraction (expressed for reporting and Service Level purposes as a percentage) in which the numerator is the number of cases which are Incorrect in the Case Sample and the denominator is the total number of cases in the Case Sample.
 5. **All Family Work Participation Rate** - This variance rate is calculated in accordance with the federal TANF Interim Final Rules, 45 CFR 261.
- b. Shown below are the Service Level metrics for each Service Level.

3.4.2 Figure 1 Service Level Metrics

Service Level	Estimated Current Performance	Target Metric	Low Threshold Metric	Stretch Goal Metric	At Risk Percentage
Medicaid Long Term Care Procedure Variance Rate 1 st SLA Contract Year	35%	15%	17.5%	12.5%	SLA CY1 0.26%
2 nd SLA Contract Year		10%	12.5%	7.5%	SLA CY2 1.60%
3 rd SLA Contract Year &		5%	7.5%	2.5%	SLA CY3 1.45%

Service Level	Estimated Current Performance	Target Metric	Low Threshold Metric	Stretch Goal Metric	At Risk Percentage
Thereafter					SLA CY4 1.79% SLA CY5 1.85% SLA CY6 2.58% SLA CY7 2.63% SLA CY8 2.66% SLA CY9 2.64%
Other Medicaid Procedure Variance Rate 1 st SLA Contract Year	25%-30%	15%	17.5%	12.5%	SLA CY1 0.10%
2 nd SLA Contract Year		10%	12.5%	7.5%	SLA CY2 0.60%
3 rd SLA Contract Year & Thereafter		5%	7.5%	2.5%	SLA CY3 0.54% SLA CY4 0.67% SLA CY5 0.69% SLA CY6 0.97% SLA CY7 0.99% SLA CY8 1.00% SLA CY9 0.99%
TANF Procedure Variance Rate 1 st SLA Contract Year	27%	15%	17.5%	12.5%	SLA CY1 0.08%
2 nd SLA Contract Year		10%	12.5%	7.5%	SLC CY2 0.30%
3 rd SLA Contract Year		7%	9.5%	4.5%	SLA CY3 0.27%
4 th SLA Contract Year and Thereafter		5%	7.5%	2.5%	SLA CY4 0.34 % SLA CY5 0.35% SLA CY6 0.48% SLA CY7 0.49% SLA CY8 0.50% SLA CY9 0.50%
Food Stamp Procedure Variance Rate 1 st SLA Contract Year	12%	10%	12.5%	7.5%	SLA CY1 .08%
2 nd SLA Contract Year		7%	9.5%	4.5%	SLA CY2 0.30%
3 rd SLA Contract Year and Thereafter		5%	7.5%	2.5%	SLA CY3 0.27% SLA CY4 0.34 % SLA CY5 0.35% SLA CY6 0.48% SLA CY7 0.49% SLA CY8 0.50% SLA CY9 0.50%
All Family Work Participation	29%	50%	45%	55%	SLA CY1 0.21% SLC CY2 0.35% SLA CY3 0.41% SLA CY4 0.83% SLA CY5 0.85% SLA CY6 1.36%

Service Level	Estimated Current Performance	Target Metric	Low Threshold Metric	Stretch Goal Metric	At Risk Percentage
					SLA CY7 1.41% SLA CY8 1.43% SLA CY9 1.41%

3.4.3 Examples of Service Level Adjustments

Examples of an adjustment to the Fixed Fees, for illustrative purposes, are set forth below. The actual methodology to be followed by Vendor to calculate Service Level Adjustments (if any) are set forth in Section 4.1.2 of the Master Services Agreement.

3.4.4 Figure 2 - Example of SLA Calculation for Medicaid Long Term Care Procedure Variance Rate

An example of a Service Level Adjustment for the Medicaid Long Term Care Procedure Variance Rate is provided below. This example is applicable to all of the 'Procedure Variance Rate' Service Levels.

Assumptions:

Assume for this example that the following applies:

1. 3rd SLA Contract Year (July 1, 2010 – June 30, 2011)
2. Fixed Fee for the 3rd SLA Contract Year is \$130,000,000
3. The Services Investment Fee for such SLA Contract Year is \$7,800,000. The SLA Fixed Fee is then \$122,200,000.
4. Amount at risk for this Service Level in the 3rd SLA Contract Year = 1.45% of the SLA Fixed Fees
5. The Service Level metrics applicable this SLA Contract Year are:
 - (a) Target = 5% Procedure Variance Rate
 - (b) Stretch Goal = 2.5% Procedure Variance Rate
 - (c) Low Threshold = 7.5% Procedure Variance Rate
6. The assumption regarding the cumulative number of Incorrect decisions each month is shown in the table below.
7. A result of 4.6% is between the Target and Stretch Goal, which would be an increase to the Fixed Fees for the applicable SLA Contract Year of \$283,504 (applied following the end of such SLA Contract Year as described in Section 4.1.2 of the Master Services Agreement).

[(Fixed Fee – Services Investment Fee)] x (At Risk the percent) x (difference between the Target and Actual) divided by (difference between the Target and Stretch Goal)

$$[(\$130,000,000 - \$7,800,000) \times (1.54\%)] \times [(5\% - 4.6\%) \text{ divided by } (5\% - 2.5\%)]$$

$$(\$122,200,000) \times (1.54\%) \quad \times [(5\% - 4.6\%) \text{ divided by } (5\% - 2.5\%)]$$

$$[\$122,000,000 \times (1.45\%)] \quad \times [(5\% - 4.6\%) \text{ divided by } (5\% - 2.5\%)]$$

$$[\$122,000,000 \times (.0145)] \quad \times [(5\% - 4.6\%) \text{ divided by } (5\% - 2.5\%)]$$

$$[\$1,771,900] \quad \times [(0.4\%) \text{ divided by } (2.5\%)]$$

$$[\$1,771,900] \quad \times [(.004) \text{ divided by } (.025)]$$

$$[\$1,771,900] \quad \times [.16]$$

\$283,504

Table for Figure 3 All Family Work Participation				
Month	# of Incorrect Decisions Each Month	Cumulative # Incorrect Decisions	Cumulative # of Cases	Cumulative Percent
July	5	5	100	5.0%
August	6	11	200	5.5%
September	6	17	300	5.6%
October	7	24	400	6.0%
November	6	30	500	6.0%
December	5	35	600	5.8%
January	4	39	700	5.6%
February	4	43	800	5.4%
March	3	46	900	5.1%
April	3	49	1000	4.9%
May	2	51	1100	4.6%
June	4	55	1200	4.6%
Aggregate Total	N/A	55	1200	4.6%

3.4.5 Figure 3: Example of SLA Calculation for All Family Work Participation

An example of a Service Level Adjustment for the All Family Work Participation Service Level is provided below.

Assumptions

Assume for this example that the following applies:

1. 3rd SLA Contract Year (July 1, 2010 – June 30, 2011)
2. The Fixed Fee for this SLA Contract Year is \$130,000,000
3. The Services Investment Fee for such SLA Contract Year is \$7,800,000. The SLA Fixed Fee is then \$122,200,000
4. The amount at risk for this Service Level in such SLA Contract Year = 0.41% of the SLA Fixed Fees (\$501,020)
5. The Service Level metrics applicable for this SLA Contract Year are as follows:
 - (a) Target = 50% Participation Rate
 - (b) Stretch Goal = 55% Participation Rate
 - (c) Low Threshold = 45% Participation Rate
6. Vendor's assumed actual performance for such Contract Year is 51% as set forth in the Table below.
7. A Result of 51% is between the Target and Stretch Goal, and yields an Incentive of \$100,204 as shown below and as described in Master Services Agreement Section 4.1.2 (5) (D).

(Fixed Fee) x (At Risk Percent) x (difference between the Actual and Target) divided by (difference between the Stretch Goal and Target)

$$\begin{aligned}
 & [\$130,000,000 - \$7,800,000] \times (.41\%) \times [(51\% - 50\%) \text{ divided by } (55\% - 50\%)] \\
 & [(\$122,200,000) \times (.41\%)] \times [(51\% - 50\%) \text{ divided by } (55\% - 50\%)] \\
 & [\$122,200,000 \times (.0041)] \times [(.51 - .50) \text{ divided by } (.55 - .50)] \\
 & [\$501,020] \times [(.01) \text{ divided by } (.05)] \\
 & [\$501,020] \times [(.2)] \\
 & \$100,204
 \end{aligned}$$

Table for Figure 3 Long Term Care Case Procedure Variance Rate					
Month	Numerator	Denominator	Actual Percent	Federal Case Load Adjustment Factor	Actual Performance for Service Level Methodology
July	4700	10000	47%	4%	51%
August	4700	10000	47%	4%	51%
September	4800	10000	48%	4%	52%
October	4600	10000	46%	5%	51%
November	4600	10000	46%	5%	51%
December	4600	10000	46%	5%	51%
January	4500	10000	45%	5%	50%
February	4500	10000	45%	5%	50%
March	4700	10000	47%	5%	52%
April	4600	10000	46%	5%	51%
May	4600	10000	46%	5%	51%
June	4600	10000	46%	5%	51%
Average Total	N/A	N/A	46.25%	N/A	51%

4. Key Performance Indicators (KPIs)

4.1 Overview

- All performance against the established KPI standard below will be determined from Vendor reporting requirements. Each KPI will be evaluated independently for compliance with the agreed level of KPI performance below, on a pass-fail basis.
- Vendor shall report on its performance against the KPIs with 30 days after the close of the reporting period. Similarly, Liquidated Damages for failure to achieve the KPIs will be in effect as of the SLA Commencement Date, and shall be applied in the same manner, according to the same schedule, and in the same invoices as the Service Level Adjustments for the same time period.
- Reference to “per month” or “month in these KPI tables shall mean a calendar month as of and following the SLA Commencement Date.

4.2 KPI Definitions and Metrics

4.2.1 Statewide KPIs

Figure 4 Statewide KPIs

Key Performance Indicator (KPI)	Metric / Performance Standard	Liquidated Damage
Performance Reporting	Vendor shall provide the reports listed in <u>Schedule 12</u> according to the schedule set forth therein.	\$500 per workday that a report listed in Schedule 12 is not provided according to the schedule set forth in Schedule 12, but no greater than \$5,000 in any one month that this KPI is not met.
Office Hours	Vendor is required to have the Vendor Service Location and the Call Centers open and staffed 100% of the required hours statewide, except for agreed upon circumstances (i.e., holidays, weather, security, etc.).	\$5,000 per month in which this KPI is not met.

4.2.2 Service Center KPIs

Figure 5 Service Center KPIs

Key Performance Indicator (KPI)	Performance Standard Metric	Liquidated Damage
Call Response Time Call Center	Call Response Time is the time between the completion of the Voice Response Unit ("VRU") messages and the time at which a live agent answers the call, divided by the total number of calls handled (answered by a live agent). The Performance Standard shall be a mean of 120 seconds or less each month.	\$5,000 per month in which this KPI is not met.
Hold Time Call Center	Hold Time is the total amount of hold time for all calls to the Call Center in which an agent places a caller on hold, divided by total number of calls handled (answered by a live agent). The Performance Standard shall be a mean of three minutes or less each month.	\$5,000 per month in which this KPI is not met.
Abandonment Rate Call Center	Abandon Rate is the total number of calls abandoned after completion of any VRU messages, minus any call abandoned within the first fifteen seconds following completion of any VRU messages, divided by the total number of calls offered (transferred to a queue waiting for a live agent) during month. The Performance Standard shall be a mean of 7% or less each month.	\$5,000 per month in which this KPI is not met.
Blockage Rate	Blockage Rate is percentage of calls that are not picked up by the ACD, measured as a fraction in which the numerator is the total number of calls that are not picked up by the ACD and the denominator is the total number of calls picked up by the ACD, 24 hours per day, 365 days per year. The target blockage rate is less than .05% per month.	\$5,000 per month in which this KPI is not met.
Workflow Management System Availability	99.5% Availability during processing hours, Monday-Friday.	\$5,000 per month in which this KPI is not met.
Eligibility Web Site Availability	99.5% Availability twenty-four hours per day, seven days per week, except for scheduled maintenance windows.	\$5,000 per month in which this KPI is not met.
System of Record SOA Interface	99.5% Availability during business hours, Monday-Friday, subject to availability of the System of Record.	\$5,000 per month in which this KPI is not met.
Disaster Recovery Testing	Annual testing of Vendor's Continuity Plan is completed successfully with respect to Vendor's responsibilities. Success	\$5,000 per test not completed successfully.

Key Performance Indicator (KPI)	Performance Standard Metric	Liquidated Damage
	criteria will be established and agreed upon in the Continuity Plan.	
Telephony System Interactive Voice Response System	99.5% Availability twenty-four hours per day, seven days per week, except for scheduled maintenance windows.	\$5,000 per month in which this KPI is not met.

4.2.3 Document Center KPIs

Figure 6 Document Center KPIs

Key Performance Indicator (KPI)	Performance Standard Metric	Liquidated Damage
Document Scanning	<p>Barcode</p> <p>(i) 90% of documents <i>with</i> a barcode are scanned, indexed and entered into the database within one business day of receipt by Vendor.</p> <p>*****</p> <p>No Barcode:</p> <p>(ii) 90% of documents <i>without</i> a barcode are scanned within two business days of receipt by Vendor.</p> <p>(iii) 90% of documents <i>without</i> a barcode are either indexed and entered into the database, or identified as a document which cannot be indexed, within six business days of receipt from the document center.</p> <p>*****</p> <p>(iv) 100% of documents are scanned within two business days of receipt by Vendor.</p>	<p>Barcode:</p> <p>(1) \$2,000 per month in which this standard was not met.</p> <p>*****</p> <p>No Barcode:</p> <p>(ii) \$1000 per month in which this standard was not met.</p> <p>(iii) \$1000 per month in which this standard was not met.</p> <p>*****</p> <p>(iv) \$1,000 per month in which this standard was not met.</p>
Scanning Quality	Scanning shall be done at a minimum resolution of 300dpi with standard commercial image quality enhancement.	\$5,000 per month if acceptable image quality falls below 99% of images scanned based on a stratified, statistically valid sample of scanned images.

4.2.4 Program Specific KPIs

A subset of the monthly Case Samples selected for the Service Levels for these Programs will be utilized to report on and determine compliance with these Program-specific KPIs. Similar verification procedures will be developed and agreed upon by the Parties for each Program.

Figure 7 Program Specific KPIs

Key Performance Indicator (KPI)	Performance Standard Metric	Liquidated Damage
Food Stamp Case Actions	Vendor recommendations to the State for final eligibility action on 99% of the Food Stamp Cases in any	\$5,000 per month in which this KPI is not met.

Key Performance Indicator (KPI)	Performance Standard Metric	Liquidated Damage
	month must be placed in the appropriate State work queue no later than 3 business days prior to the established Federal and State time guidelines.	
Medicaid Case Actions	Vendor recommendation for final eligibility action on 99% of the Medicaid Case Actions in any month must be placed in the appropriate State work queue no later than 3 business days prior to the established Federal and State time guidelines.	\$5,000 per month in which this KPI is not met.
Medicaid Disability Applications	99% of all Medicaid Disability applications with all available supporting documentation must be placed in the appropriate queue for the Office of Medicaid Policy and Planning (OMPP) State's Medical Review Team (MRT) within 30 days of Application Date (excluding client or provider delay days as defined in 42 CFR 435.911 (c) (1) and (2)).	\$5,000 per month if this KPI is not met.
TANF Case Actions	Vendor recommendation to the State for final eligibility action on 99% of the TANF Case Actions must be placed in the appropriate State work queue no later than 3 business days prior to the established Federal and State time guidelines.	\$5,000 per month if this KPI is not met.

5. Critical Transition Milestones

The State shall select no less than eight (8) Transition Milestones, set forth in the Transition Plan, that are critical to the State with respect to the success of the Transition and that shall be divided between two different categories of the Transition ("Critical Transition Milestones"), with a minimum of five (5) in one category and three (3) in the other category. Vendor shall propose the two categories, which the State shall reasonably approve. Such Critical Transition Milestones shall be objectively defined, and within the responsibility of the Vendor to achieve. Such Critical Transition Milestones shall be identified in the approved Transition Plan.

The State shall specify the dollar amount of the Liquidated Damages assigned to each Critical Transition Milestone as part of the approval of the Transition Plan, provided that the total aggregate amount of such Liquidated Damages shall not exceed two million dollars (\$2,000,000), and provided further than such two million dollars shall be divided equally between the two categories identified by Vendor.

6. Federal Penalties

Vendor shall be responsible for Federal Penalties as set forth in Section 15.2.6 of the Master Services Agreement.